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Intelligence gaffes bring private firm into the act

By William J. Drummond

WHEN THE SHAH of Iran was ousted from power in 1979, the credibility and competence of the U.S. government's intelligence agency suffered a staggering blow.

Anthony C. Stout, a successful publisher, thinks that the CIA's loss can be turned into his gain. "Businesses for years assumed that governments knew what was really cooking in various countries and would somehow warn them if things were going to go sour," said Stout, publisher of the National Journal. "Iran exploded that assumption."

The sudden collapse of the Shah "traumatized" business firms in both the U.S. and Europe, according to Stout. "American and European corporations couldn't believe that the government of the United States and European countries didn't forecast that it was going to happen."

Stout says that it was the intelligence debacle of Iran that caused private businesses to say to themselves, "Boy, we better do this job for ourselves."

With the backing of some large European financial institutions, Stout wants to help businesses and governments protect themselves from any future collapses of the official intelligence agencies and has announced the formation of a new company — International Reporting and Information Systems — which has an acronym that Ian Fleming would approve of: IRIS.

It will be the largest private intelligence-gathering and analyzing organization in the world. A staff of 50 analysts aided by a pair of giant Burroughs Corp. computers will be headquartered in Crystal City, Va., across the Potomac from the District of Columbia. Reporting to IRIS from around the world will be more than 90 correspondents.

In promoting the idea to potential investors, company officials have said that IRIS would surpass the CIA in scope and in the accuracy of its forecasts. The Burroughs computer operation is modeled on the CIA computer in Langley, Va. which is used to process information gathered from around the world.

The strongest selling point that IRIS has is not the computer, but the backing of some distinguished world figures. Former British Prime Minister Edward Heath has been retained, reportedly at a salary of more than \$100,000 a year, to head an international advisory council. A prominent member of that council is Robert S. MacNamara, former president of the World Bank.

What IRIS is offering to multinational companies is a kind of security blanket. For an annual premium starting at \$25,000, the client company will have access to the latest up-to-date information on political and economic conditions and the investment climate anywhere in the world. IRIS might not change investment decisions, but it might help executives sleep better at night.

Stout has succeeded in getting \$10 million of up-front money from his financial backers to get the project off the ground. He plans to deliver his service to clients next spring.

But despite the splash that IRIS has made on both sides of the Atlantic, many people in the political forecasting field are questioning whether Stout's intelligence remedy is just expensive snake oil.

IRIS is drawing on the expertise of ex-State Department and ex-CIA employees in its analysis section, which is headed by former Ambassador Paul Boeker. These were the very people who did not foresee the fall of the Shah.

Placing big-ticket statesmen like Heath and MacNamara on the advisory board will certainly attract investors, even though such diplomats do not have particularly distinguished records in intelligence evaluation. MacNamara's proposal for dealing with North Vietnamese infiltration into the republic of South Vietnam was to build an electronically sensitized wall.

In terms of methodology, rival firms say that IRIS' efforts to be comprehensive will be its undoing. The computer will be absorbing 10,000 messages a day, devouring newspapers and wire services, magazines, television and radio broadcasts, as well as correspondent reports. Like the CIA, IRIS could become debilitated by what analysts call data pollution.

The more certain threat to IRIS comes from simple competition. The fees that Stout proposes to charge are roughly five times larger than the going rate from other forecasting firms.

Stout scoffs at these gloomy suggestions, saying he's heard it before and recalls that in 1969, when he and a friend founded National Journal, some people said nobody wanted to read that much detail about the federal government. But the public's appetite for detail has proved nearly insatiable. National Journal has won praise for publishing such things as the White House telephone directory.

"If you're looking for an easy way to characterize IRIS," said Stout, "it'll be an electronic National Journal, covering the world."

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